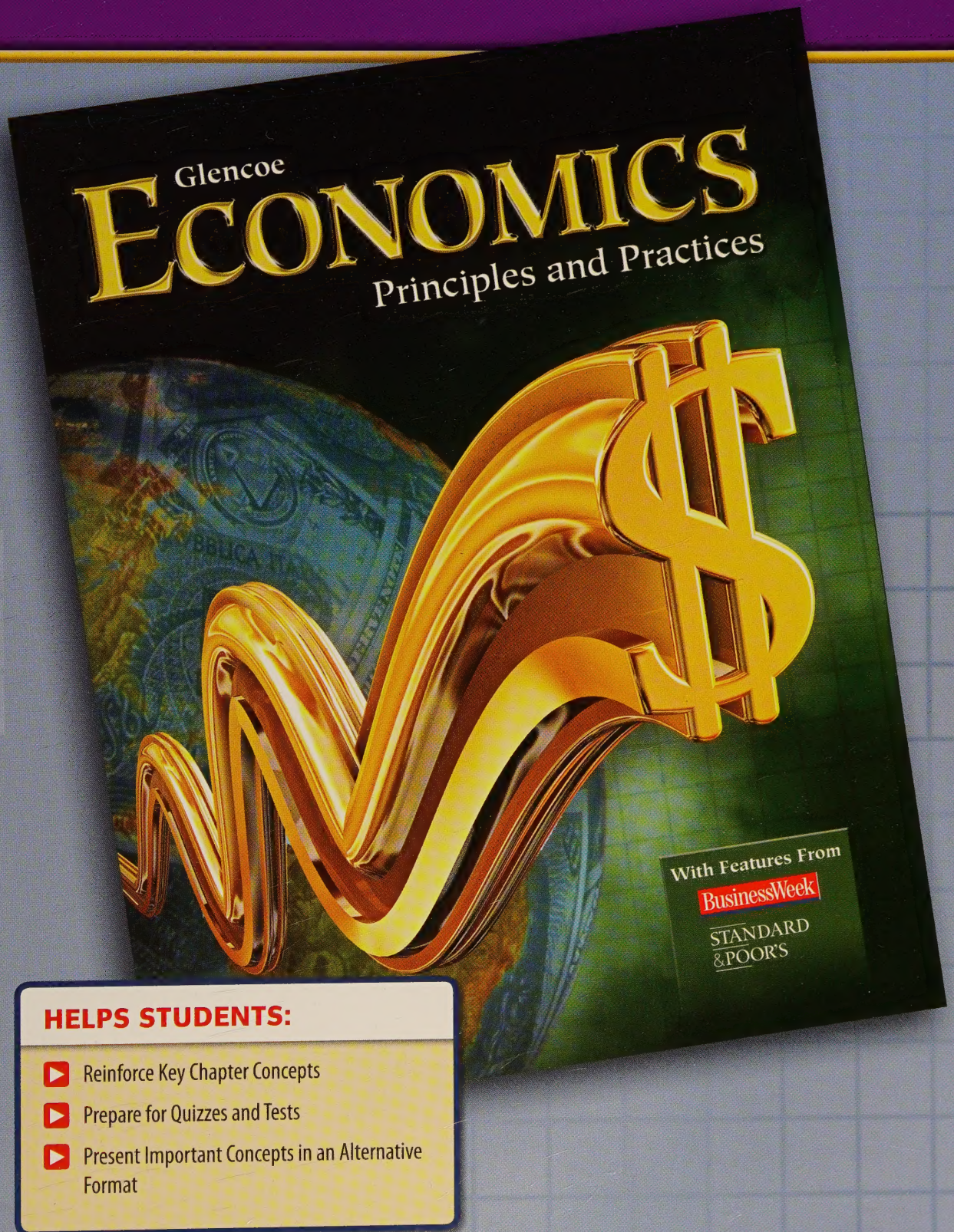


Reteaching Activities



ECONOMICS: PRINCIPLES AND PRACTICES

Reteaching Activities



Glencoe

New York, New York Columbus, Ohio Chicago, Illinois Woodland Hills, California

TO THE TEACHER

Reteaching Activities review the main concepts in each chapter of *Economics: Principles and Practices*. These activities are designed for students needing further reinforcement of—and another chance to master—information presented in the textbook. Reteaching Activities are useful to those students whose test scores indicate that another look at the chapter is needed.

One activity is provided for each chapter of *Economics: Principles and Practices*. All activities are highly visual and are structured in various presentations.

Answers to the Reteaching Activities can be found at the back of the booklet.



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CONTENTS

Chapter 1	<i>What Is Economics?</i>	1
Chapter 2	<i>Economic Systems and Decision Making</i>	2
Chapter 3	<i>Business Organizations</i>	3
Chapter 4	<i>Demand</i>	4
Chapter 5	<i>Supply</i>	5
Chapter 6	<i>Prices</i>	6
Chapter 7	<i>Market Structures</i>	7
Chapter 8	<i>Employment, Labor, and Wages</i>	8
Chapter 9	<i>Sources of Government Revenue</i>	9
Chapter 10	<i>Government Spending</i>	10
Chapter 11	<i>Financial Markets</i>	11
Chapter 12	<i>Macroeconomic Performance</i>	12
Chapter 13	<i>Economic Instability</i>	13
Chapter 14	<i>Money, Banking, and the Fed</i>	14
Chapter 15	<i>Economic Stabilization Policies</i>	15
Chapter 16	<i>International Trade</i>	16
Chapter 17	<i>Developing Countries</i>	17
Chapter 18	<i>Global Economic Challenges</i>	18
Answer Key	19

CONTENTS

Chapter 1	Basic Concepts	1
Chapter 2	Linear Algebra and Vector Spaces	15
Chapter 3	Calculus	35
Chapter 4	Linear Algebra	55
Chapter 5	Calculus	75
Chapter 6	Linear Algebra	95
Chapter 7	Calculus	115
Chapter 8	Linear Algebra	135
Chapter 9	Calculus	155
Chapter 10	Linear Algebra	175
Chapter 11	Calculus	195
Chapter 12	Linear Algebra	215
Chapter 13	Calculus	235
Chapter 14	Linear Algebra	255
Chapter 15	Calculus	275
Chapter 16	Linear Algebra	295
Chapter 17	Calculus	315
Chapter 18	Linear Algebra	335
Chapter 19	Calculus	355
Chapter 20	Linear Algebra	375

Clamp

RETEACHING



Activity 1

WHAT IS ECONOMICS?

The study of economics is based on several fundamental concepts. Scarcity is the basic economic problem that all societies face. Each society must also answer three basic economic questions and decide how to use the four factors of production.

Directions: Match each of the following concepts with the appropriate definition by writing the definition's letter next to the concept.

_____ Scarcity

The three basic economic questions are:

_____ 1.

_____ 2.

_____ 3.

The four factors of production are:

_____ 1.

_____ 2.

_____ 3.

_____ 4.

_____ Consumers

_____ Markets

_____ Opportunity cost

_____ Production possibilities frontier

_____ Cost-benefit analysis

_____ Study of economics

A. Labor

B. For whom to produce

C. Next-best alternative—or trade-off—in a decision

D. They use goods and services to satisfy wants and needs.

E. This is created by people's seemingly unlimited wants and relatively limited resources.

F. How to produce

G. Provides insight as to how incomes are earned and spent, how jobs are created, and how the economy works on a daily basis

H. Land

I. What to produce

J. Entrepreneurs

K. These link buyers and sellers in the circular flow of economic activity.

L. A way of thinking about a problem that compares the costs of an action to the benefits received

M. Capital

N. A model that shows the various combinations of goods and services that can be produced when all resources are fully employed

RETEACHING



Activity 2

ECONOMIC SYSTEMS AND DECISION MAKING

Every society has an economic system that organizes how goods and services are allocated and answers the questions of WHAT, HOW, and FOR WHOM goods are produced. The way in which a society addresses these questions determines the type of economic system it has.

Directions: The table below lists the three major types of economic systems. Complete the table with brief explanations of how each system answers the three basic economic questions. Identify each system's advantages and disadvantages and provide two to three examples of each system. Then answer the question that follows.

	Traditional	Command	Market
Basic economic questions determined by:			
Advantages			
Disadvantages			
Examples			

What is a mixed economy?

BUSINESS ORGANIZATIONS

Economic institutions are made up of persons and organizations that use or represent the factors of production.

Directions: Eight economic institutions are listed in the chart. Each of the phrases refers to an institution. Write the phrase in the correct part of the chart. One example has been done for you.

- Jointly owned by two or more persons
 - Firm of at least four businesses, each making unrelated products and none responsible for a majority of the sales
 - Raises financial capital easily
 - Owned and run by one person
 - Operates like a business but does not seek financial gain
 - Firm with manufacturing or service operations in a number of countries
- Group of people in a specialized occupation
 - Works for members' employment interests
 - Participates in collective bargaining
 - Easiest business to start
 - Potential for conflict between owners
 - Separate legal entity with all the rights of an individual
 - Produces tax revenues for host country
 - Schools, churches, hospitals, co-ops

Sole Proprietorship	Partnership
Owned and run by one person	
Corporation	Conglomerate
Multinational	Nonprofit Organization
Labor Union	Professional Association

RETEACHING

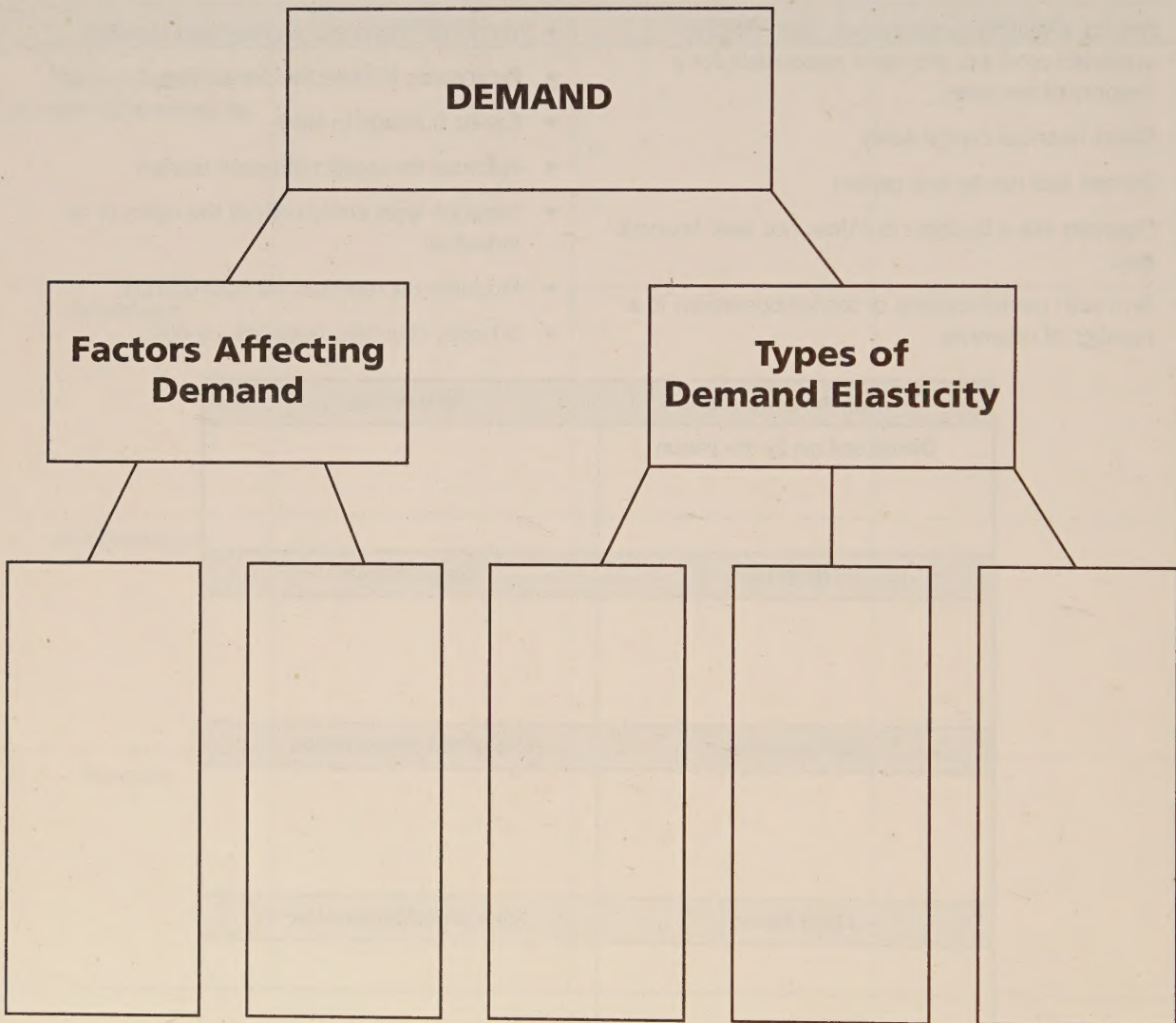


Activity 4

DEMAND

Demand is the desire, ability, and willingness to buy a product. The price of a good or service affects demand: people will buy more of a product at lower prices and less at higher prices. Consumers are sensitive to price changes, and elasticity shows just how sensitive they are.

Directions: Complete the graphic organizer below by describing the factors that affect demand, along with the types of demand elasticity.





SUPPLY

The concept of supply explains important economic behaviors. Several factors can influence supply. Understanding the Law of Supply and the factors that can change supply provides a basis for learning the theory of production and how cost is measured.

Directions: Complete the following outline to organize concepts about supply.

- I. Supply is _____.
 - A. The Law of Supply states that _____.
 - B. The market supply curve shows _____.
 - C. A change in quantity supplied is shown as _____.
 - D. A change in supply is a change in _____.
 1. An increase in supply is shown by a shift of the supply curve to the _____.
 2. A decrease in supply is shown by a shift of the supply curve to the _____.
 3. The factors that cause a change in supply are _____.
 - E. Supply elasticity explains how a change in _____ responds to a change in _____.
 1. Supply is elastic when _____.
 2. Supply is inelastic when _____.
 3. Supply is unit elastic when _____.
- II. In the theory of production, labor is often thought of as the _____ factor of production.
 - A. _____ shows how total output changes when the amount of a single input changes.
 - B. Output is measured by the marginal product, which is _____.
 - C. The three stages of production help companies determine _____.
 1. _____ is when the marginal product of each additional worker increases.
 2. _____ is when production still grows but by smaller amounts.
 3. _____ begins when too many workers are hired and total output decreases.
- III. Businesses must analyze _____ to make production decisions.
 - A. There are four types of cost.
 1. _____ is the cost that a business incurs even if there is no activity.
 2. _____ is a cost that changes when the business's rate of operation or output changes.
 3. _____ is the sum of the fixed and variable costs.
 4. _____ is the extra cost incurred when a business produces one additional unit of a product.
 - B. The break-even point is _____.
 - C. Total revenue is equal to _____.
 - D. Marginal revenue is _____.
 - E. Marginal analysis is _____.
 - F. When marginal cost is exactly equal to _____, the _____ quantity of output occurs.

RETEACHING



Activity 6

PRICES

There are two systems for allocating goods and services—price and nonprice systems. Under the price system, buyers and sellers make decisions about the allocation of economic products. In nonprice systems, decisions are made in other ways. When rationing is used, for example, a government agency decides everyone's fair share. While the price system is ideal in many ways, a number of problems are associated with nonprice methods.

Directions: Compare and contrast the two allocation methods by listing below four advantages of prices and three disadvantages of rationing.

Prices	vs.	Rationing
Advantages		Disadvantages
+		—
+		—
+		—
+		



MARKET STRUCTURES

Economists ask many questions to determine market structure, or the nature and degree of competition among firms operating in the same industry. Four market structures have been identified—perfect competition, monopolistic competition, oligopoly, and monopoly.

Directions: The chart below lists five questions economists use to determine market structures. Answer the questions for each of the four market structures. Be as specific as possible.

	Perfect Competition	Monopolistic Competition	Oligopoly	Monopoly
1. How many suppliers are there?				
2. What influence do the firms have over price?				
3. How much competition exists between firms?				
4. Are all firms selling identical or similar products?				
5. Is it easy or difficult to enter the market?				

RETEACHING



Activity 8

EMPLOYMENT, LABOR, AND WAGES

When disagreements occur between union and management, several methods are available to resolve differences.

Directions: The outline below lists the different methods for solving labor disputes. List two characteristics of each method. Select the characteristics from the following list.

- A court order not to act is obtained
- Useful when one or both sides has tried to distort the issues to win public opinion, or when one side does not believe the claims of the other side
- Used only as a last resort
- Neutral third party is brought in to find a solution that both parties will accept
- Requires compromise from both parties to agree on the basic issues
- Involves a temporary takeover of operations to allow government to negotiate with the union
- Third party recommends a compromise to both sides
- Representatives of both groups agree to meet and discuss problems
- Both sides agree in advance to accept the decision of a third party as final and binding
- Independent third party investigates issues and recommends possible settlements, which either side may or may not accept
- Used when industries that affect the national interest are involved
- Labor and management agree to place differences before a third party

I. Methods for Resolving Labor-Management Disputes

A. Collective Bargaining

1.

2.

B. Mediation

1.

2.

C. Arbitration

1.

2.

D. Fact-Finding

1.

2.

E. Injunction and Seizure

1.

2.

F. Presidential Influence

1.

2.



SOURCES OF GOVERNMENT REVENUE

Federal, state, and local governments each collect revenues needed to govern and provide services to citizens. Revenues come in the form of taxes, duties, and contributions. Taxes affect a society's allocation of resources, behavior, and economic growth. They can be categorized into three groups—proportional taxes, progressive taxes, and regressive taxes—depending on the way in which the tax burden changes in relation to income.

Directions: Identify the taxes listed below as sources of revenue for federal, state, or local governments. Some taxes may be sources for more than one level of government.

State	SOURCES OF REVENUE	Local
	excise taxes	
	FICA or payroll tax (Social Security, Medicare)	
	utility revenues	
	property taxes	
	gift taxes	
	sales taxes	
	estate taxes	
	customs duties	
	user fees (benefit tax)	
	corporate income tax	
	individual income tax	
	intergovernmental revenues	

Federal



Activity 10

GOVERNMENT SPENDING

Federal, state, and local governments plan budgets that outline how much money will be raised (revenue) and spent (expenditures) in a year. Money that has been raised finances the day-to-day running of government administrations. Money is also used for social services and programs to help citizens.

Directions: Complete the chart below by identifying the major areas of expenditures for federal, state, and local governments.

Expenditures

Federal	State	Local



FINANCIAL MARKETS

Today, investors can choose from a wide range of financial assets that vary in cost, maturity, and safety.

Directions: Seven financial assets are featured in the chart below. Complete the chart by describing each asset's characteristics (cost, maturity, and safety). If information about cost, maturity, or safety is not included in the text, write "not available" in the appropriate space.

Asset	Cost	Maturity	Safety
Certificates of Deposit			
Corporate Bonds			
Municipal Bonds			
Government Savings Bonds			
Treasury Notes and Bonds			
Treasury Bills			
Individual Retirement Accounts			

RETEACHING



Activity 12

MACROECONOMIC PERFORMANCE

Gross Domestic Product (GDP) is the most important measure of a country's overall economic performance.

Directions: The graphic organizer below illustrates the different components of GDP. Define and explain the significance of the terms listed in the boxes.

$C + I + G + (X - M)$	=	GDP



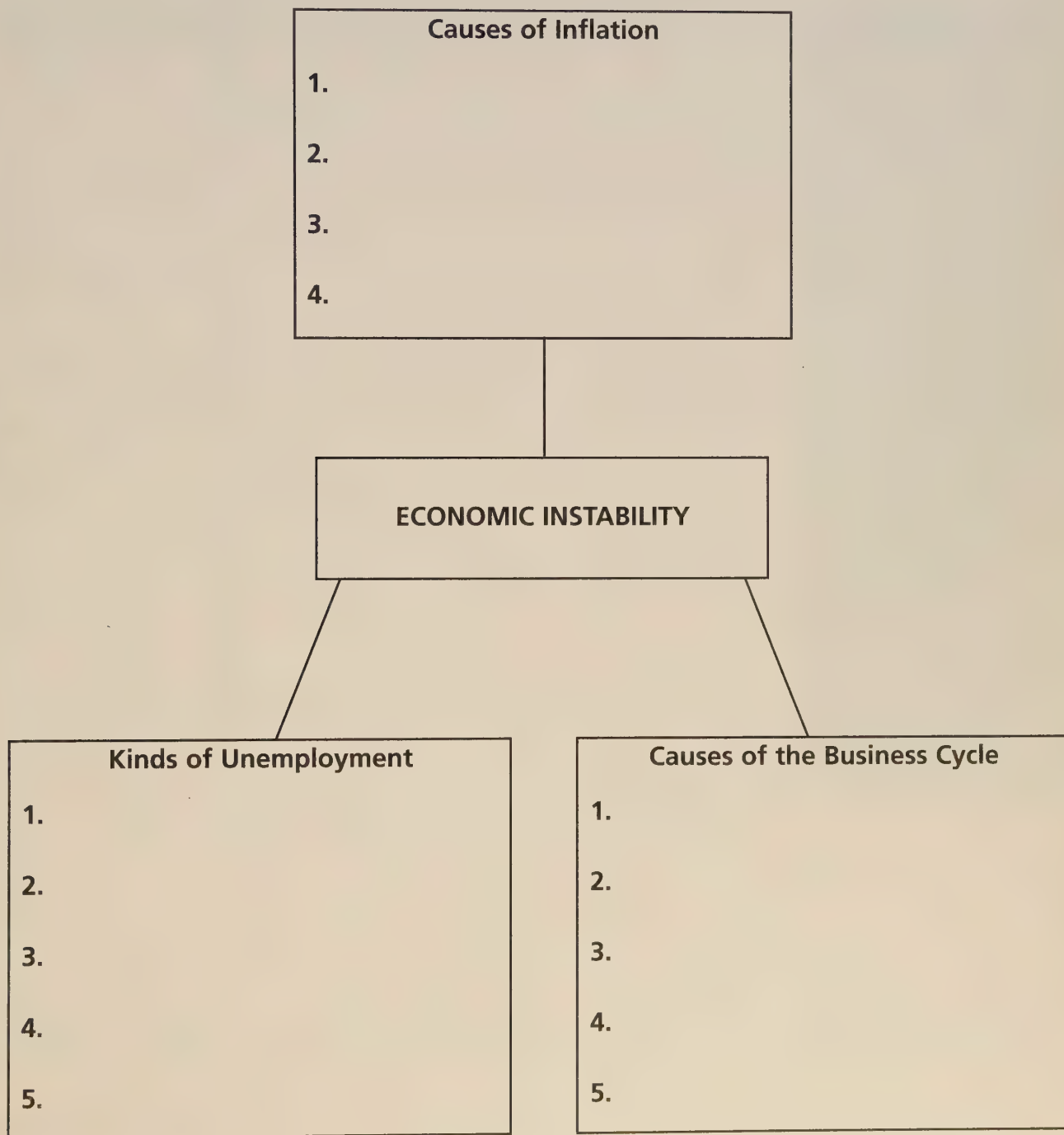
Current GDP	GDP per capita	Real GDP



ECONOMIC INSTABILITY

When a country experiences economic growth, it is able to provide people with what they want or need. Economic instability, however, can affect a country's ability to grow.

Directions: Complete the graph below to describe how business cycles, unemployment, and inflation contribute to economic instability.



MONEY, BANKING, AND THE FED

Created by Congress in 1913, the Federal Reserve functions as the central bank of the United States. The Fed holds important responsibilities, provides services, and uses monetary policy tools to help stabilize the nation's economy.

Directions: Use the chart below to describe the responsibilities and services of the Fed.

Responsibilities of the Fed	
Services of the Fed	



ECONOMIC STABILIZATION POLICIES

At various times, the U.S. government has used different policies to promote economic growth.

Directions: Use the following graphic organizer to describe some important characteristics of supply-side and demand-side economic policies.

	Supply-side policies	Demand-side policies
To spur output . . .		
Role of government is . . .		
Ultimate goal is to . . .		

RETEACHING



Activity 16

I NTERNATIONAL TRADE

Although international trade can bring many benefits, some people object to it because it can take away business from selected industries and jobs from groups of workers in the United States. Protectionists want tariffs, quotas, and other trade barriers, while free traders favor fewer trade restrictions.

Directions: Five arguments for protection are listed below. For each argument, indicate how protectionists and free traders stand on the issue.

Protectionists

Free Traders

National Defense

Infant Industries

Domestic Jobs

Money at Home

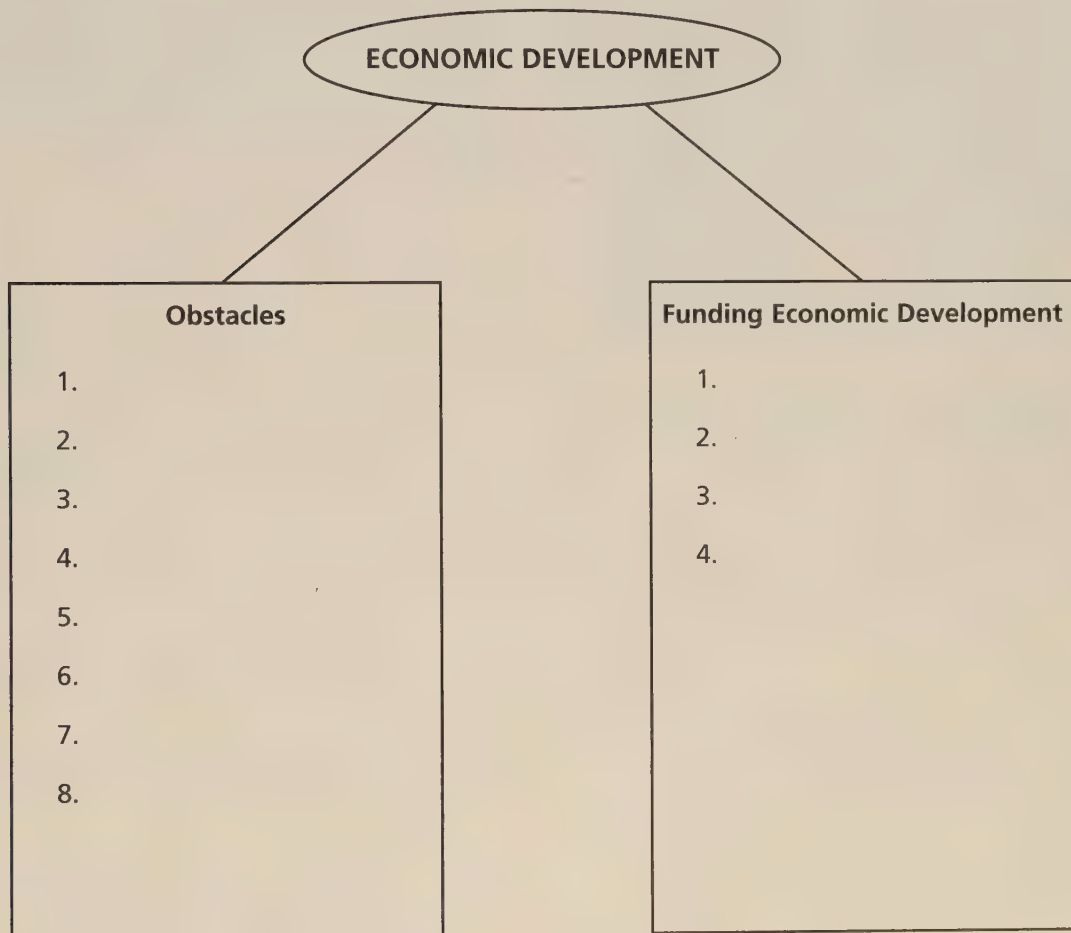
Balance of Payments



DEVELOPING COUNTRIES

Much of the world's population lives in developing countries. Developing countries have an average per capita GNP that is much less than that of industrialized countries. Economic growth in these countries is necessary to improve the standard of living in these countries. Development is also important for the health of the global economy.

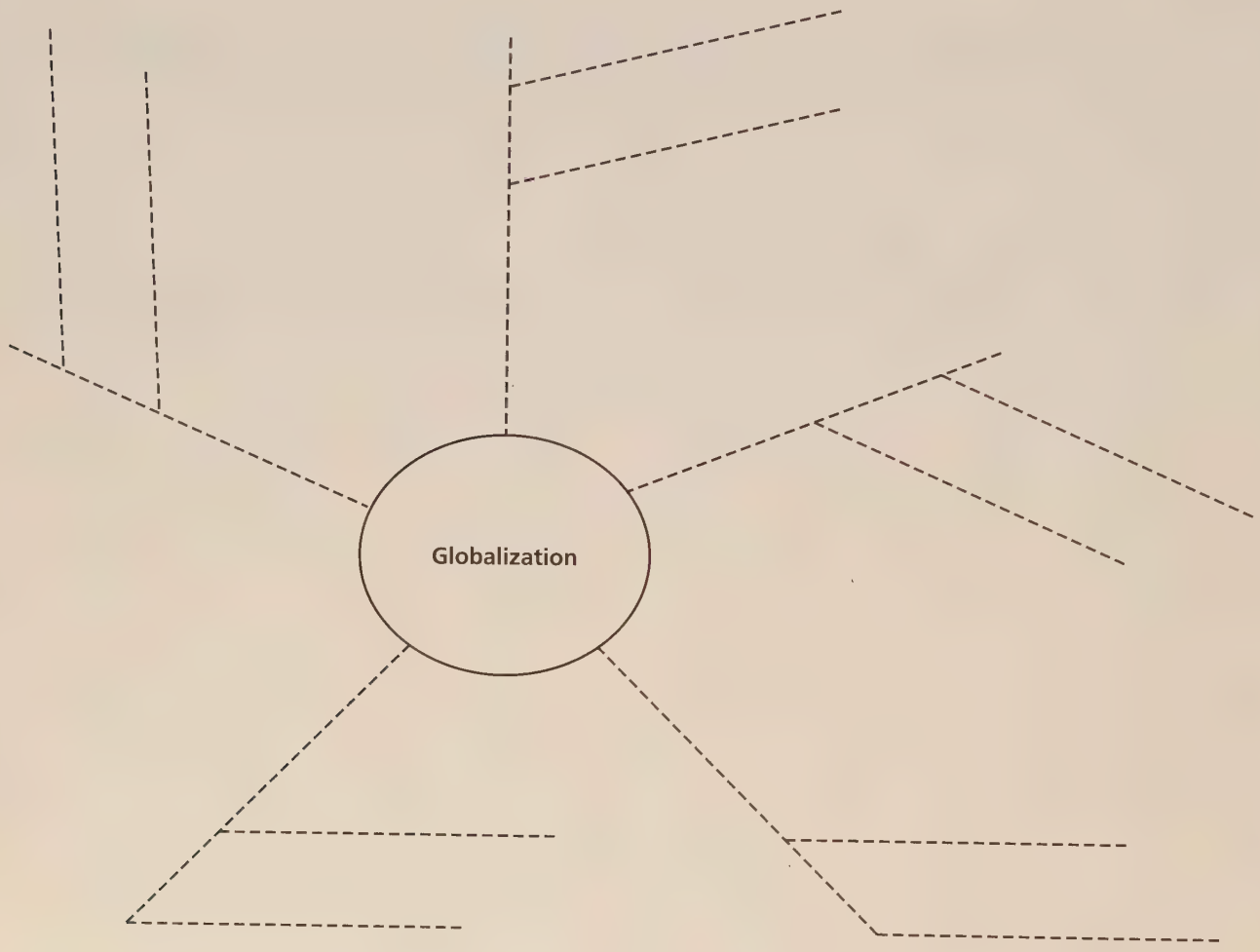
Directions: In the diagram below, identify the obstacles to economic growth faced by developing countries and some ways these countries can fund development.



GLOBAL ECONOMIC CHALLENGES

Globalization is the movement toward a more integrated and interdependent world economy. Because of globalization, people in any country can purchase products made anywhere else in the world.

Directions: On each "leg" of the spider map, write one characteristic of globalization. For each characteristic, provide at least one supporting detail.



Chapter 1**E Scarcity**

The three basic economic questions are:

F, I, B (any order)

The four factors of production are:

H, A, M, J (any order)

D Consumers

K Markets

C Opportunity cost

N Production possibilities frontier

L Cost-benefit analysis

G Study of economics

Chapter 2**Traditional**

Basic economic questions determined by: ritual, habit, or custom

Advantages: Everyone knows which role to play; little uncertainty exists over HOW and WHAT to produce; customs determine FOR WHOM to produce

Disadvantages: Discourages new ideas and new ways of doing things

Examples: African Mbuti, Australian Aborigines, Inuits of northern Canada

Command

Basic economic questions determined by: a central authority

Advantages: can change direction drastically in a short time; many basic health and public services available at little or no cost

Disadvantages: Doesn't meet the wants of consumers; incentive for people to fill quotas instead of producing a good product; requires a large bureaucracy to make decisions; no flexibility to deal with daily problems; rewards for initiative are rare

Examples: North Korea, Cuba

Market

Basic economic questions determined by: consumers and businesses

Advantages: Adjusts to change over time; high degree of individual freedom; little government interference; decision making is decentralized; availability of a wide variety of goods/services; high degree of consumer satisfaction

Disadvantages: Does not provide for everyone's basic needs; does not provide enough of some services that people value highly; high degree of uncertainty for workers and businesses

Examples: United States, Japan, South Korea, Singapore, Australia, Great Britain, parts of Western Europe

A mixed economy is an economic system that has some combination of traditional, command, and market economies.

Chapter 3

Sole Proprietorship—Easiest business to start

Partnership—Jointly owned by two or more persons; potential for conflict between owners

Corporation—Separate legal entity with all the rights of an individual; raises financial capital easily

Conglomerate—Firm of at least four businesses, each making unrelated products and none responsible for a majority of the sales

Multinational—Firm with manufacturing or service operations in a number of countries; produces tax revenues for host country

Nonprofit Organization—Operates like a business but does not seek financial gain; schools, churches, hospitals, co-ops

Labor Union—Works for members' employment interests; participates in collective bargaining

Professional Association—Group of people in a specialized occupation

Chapter 4**Factors Affecting Demand**

- Change in quantity demanded—occurs when a product's price changes; movement is along the demand curve
- Change in demand—occurs when demand for a product changes at each and every price; is shown by a shift in the entire demand curve to the right or left

Types of Demand Elasticity

- Elastic demand—occurs when a change in price causes a relatively larger change in the quantity demanded
- Inelastic demand—occurs when a change in price causes a relatively smaller change in the quantity demanded
- Unit elastic demand—occurs when a change in price causes a proportional change in quantity demanded

Chapter 5

- I. the amount of a product that is offered for sale at all prices that could prevail in the market
 - A. suppliers will offer more for sale at high prices and less at low prices
 - B. the amounts offered at various prices by all firms that offer the product for sale
 - C. movement along the supply curve
 - D. the amounts that are offered for sale at all possible prices
 1. right
 2. left
 3. changes in the cost of inputs, productivity, new technology, taxes and subsidies, expectations, government regulations, and the number of sellers
 - E. quantity supplied; price
 1. price changes cause a proportionately larger change in quantity supplied
 2. price changes cause a proportionately smaller change in quantity supplied
 3. price changes cause a proportional change in quantity supplied
- II. variable
 - A. A production function
 - B. the extra output gained by adding one additional unit of input
 - C. the most profitable number of workers to have
 1. increasing (marginal) returns
 2. diminishing returns, or decreasing marginal returns
 3. negative (marginal) returns
- III. cost of inputs
 1. Fixed cost
 2. Variable cost
 3. Total cost
 4. Marginal cost
 - B. the production level where total cost equals total revenue
 - C. the number of units sold multiplied by the average price per unit
 - D. the extra revenue when one more unit of output is sold

- E. a type of decision making that compares the extra benefits to the extra costs of an action
- F. marginal revenue; profit-maximizing

Chapter 6**Prices**

- + Prices are neutral; they are a result of competition between buyers and sellers.
- + Prices are flexible and can absorb unexpected shocks.
- + Prices have no administrative cost.
- + Prices are efficient because they are easily understood by everyone.

Rationing

- Problem of fairness; everyone feels that his or her share is too small
- High administrative cost associated with coupons
- Negative impact on people's incentive to work and produce

Chapter 7**Perfect Competition**

1. Large number of buyers and sellers
2. No single firm is large enough or powerful enough to affect price
3. Sellers compete against one another for consumers' dollars; consumers compete against one another for best price
4. Buyers and sellers deal in identical products
5. Buyers and sellers are free to enter into, conduct, or get out of business

Monopolistic Competition

1. Large number of buyers and sellers
2. If sellers can convince consumers that their product is better, they may be able to raise price above competitors'
3. Sellers compete against one another and buyers compete against one another and against sellers for best price
4. Firms sell similar but not identical products; differences may be real or perceived
5. Same ease of entry as perfect competition

Oligopoly

1. Only a few, large sellers
2. Each firm has some power and influence over price yet knows other sellers will follow with similar pricing
3. Firms tend to act together, sometimes even colluding; generally like to compete on nonprice basis
4. Product may have distinct features or be standardized
5. More difficult than perfect competition and monopolistic competition

Monopoly

1. Opposite of perfect competition; only one seller
2. Opposite of perfect competition; extensive influence over price; "price-maker"
3. Little or no competition
4. Only one firm selling a particular product
5. Almost impossible

Chapter 8**A. Collective Bargaining**

1. Representatives of both groups agree to meet and discuss problems.
2. Requires compromise from both parties to agree on the basic issues

B. Mediation

1. Neutral third party is brought in to find a solution that both parties will accept
2. Third party recommends a compromise to both sides

C. Arbitration

1. Labor and management agree to place differences before a third party.
2. Both sides agree in advance to accept the decision of a third party as final and binding.

D. Fact-Finding

1. Useful when one or both sides has tried to distort the issues to win public opinion, or when one side does not believe the claims of the other side
2. Independent third party investigates issues and recommends possible settlements, which either side may or may not accept

E. Injunction and Seizure

1. A court order not to act is obtained
2. Involves a temporary takeover of operations to allow government to negotiate with the union

F. Presidential Influence

1. Used only as a last resort
2. Used when industries that affect the national interest are involved

Chapter 9

Federal individual income tax, FICA or payroll tax (Social Security, Medicare), corporate income tax, excise taxes, estate taxes, gift taxes, customs duties, user fees (benefit tax)

State intergovernmental revenues, sales taxes, individual income tax (Students may also list corporate income taxes.)

Local intergovernmental revenues, property taxes, utility, revenues, sales taxes, individual income tax

Chapter 10

Federal Social Security, national defense, income security, Medicare, interest on the federal debt, health, education, training, employment and social services, transportation, veterans' benefits, administration of justice, and natural resources and the environment

State Intergovernmental expenditures, public welfare, retirement and insurance funds, higher education, highways, hospitals, interest on debt; other spending for corrections, health, natural resources, parks, and utilities

Local Elementary and secondary education, public utilities, hospitals, police protection, interest on debt, public welfare, highways; other spending for housing and community development, fire protection, and parks and recreation

Chapter 11**Certificates of Deposit**

Cost As little as \$500

Maturity Selected by the investor; can tailor to future expenditures

Safety Issues of commercial banks, savings banks, and savings associations included in \$100,000 FDIC insurance limit; issues of credit unions insured by National Credit Union

Corporate Bonds

Cost Par values as low as \$1,000, but commonly \$10,000; supply and demand determine price; interest or coupon is taxable income

Maturity Usually purchased as long-term investments but can be liquidated or sold

Safety Varying levels of risk of default

Municipal Bonds

Cost Interest paid to investors is generally not taxed

Maturity Not available

Safety Generally safe because issued by state and local governments, which do not go out of business

Government Savings Bonds

Cost Easy to obtain; usually in denominations ranging from \$50 to \$10,000; purchased at a discount from their redemption amount; interest paid and built into the redemption price

Maturity Most investors tend to hold long-term savings bonds

Safety Virtually no risk of default

Treasury Notes and Bonds

Cost Come in denominations of \$1,000 so that small investors can afford to buy them

Maturity Notes: two to 10 years; bonds: from more than 10 to as many as 30 years

Safety Have no collateral or backing but are generally regarded as the safest of all financial assets

Treasury Bills

Cost Minimum denomination of \$1,000; sold on a discount basis

Maturity Short-term, with a maturity of 13, 26, or 52 weeks

Safety Not available

Individual Retirement Accounts

Cost Annual deposits up to \$4,000; tax-sheltered until retirement

Maturity Long-term; penalties apply if liquidated early

Safety Not available

Chapter 12

C+I+G+(X-M) Output-expenditure model which is used to explain and analyze economic performance; includes four sectors of the economy: C=consumer, I=investment or business, G=government, X-M=foreign (X=dollar value of goods sent abroad; M=dollar value of goods purchased abroad)

GDP Dollar amount of all final goods and services produced within a country's borders during one year

Current GDP GDP that is not adjusted to remove inflation

GDP per capita GDP divided by the population; describes GDP output on a per person basis

Real GDP GDP with the distortion of inflation removed; shows what GDP would be if purchasing power of the dollar had not changed since the base year

Chapter 13**Causes of the Business Cycle**

1. **Changes in investment spending** When the economy is expanding companies invest heavily in capital goods; when companies reduce capital expenditures a recession may occur.
2. **Innovation and imitation** Innovations will cause an increase in profits and cause other companies to invest in order to imitate. When further investments are unnecessary, economic activity may slow.
3. **Monetary factors** "Easy money" policies by the Fed encourage investment. When the increased demand for loans causes a rise in interest rates, investment declines.
4. **External shocks** Examples include increase in oil prices, international conflict, or discovery of new resources.

Kinds of Unemployment

1. **Frictional unemployment** Caused by workers who are "between jobs" for any reason
2. **Structural unemployment** Occurs when a fundamental change in the economy reduces demand for workers and their skills
3. **Cyclical unemployment** Directly related to fluctuations in the business cycle
4. **Seasonal unemployment** Results from changes in weather or changes in demand for certain products
5. **Technological unemployment** Caused when workers with less skills, talent, or education are replaced by machines

Causes of Inflation

1. **Demand-pull** When all sectors of the economy try to buy more goods and services than the economy can produce
2. **Cost-push** Rising input costs, such as labor, drive up the cost of products for manufacturers
3. **Wage-price spiral** Higher prices force workers to ask for higher wages. Producers must try to recover by setting higher prices, creating a spiral of wage and price increases.
4. **Excessive monetary growth** When the money supply grows faster than real GDP

Chapter 14

Responsibilities of the Fed Monitors the reserves of its state-chartered banks; regulates the activities of holding companies so that they do not evade restrictions in banking laws; supervises and regulates foreign banks in the U.S. and can terminate their domestic operations; authorizes and supervises U.S. member banks in foreign countries; approves mergers of state banks

Services of the Fed Clears checks; responsible for some consumer legislation, such as the Truth in Lending Act, where under Regulation Z, it has the authority to extend truth-in-lending disclosures to people who purchase or borrow from corporations, retail stores, car dealers, banks, and lending institutions; maintains currency and coins; provides financial services to the government, such as conducting auctions of Treasury bills, bonds, and notes

Chapter 15

	Supply-side policies	Demand-side policies
To spur output . . .	stimulate production (supply)	stimulate consumption of goods and services (demand)
Role of government is . . .	to cut spending, lower taxes, and relax or remove regulations	to increase spending, lower taxes, and enact other measures to encourage spending
Ultimate goal is to . . .	increase production and decrease unemployment without increasing inflation	increase production and decrease unemployment without increasing inflation

Chapter 16

National Defense

Protectionists Without trade barriers, the country would become too specialized and too dependent on other countries.

Free Traders National security is a compelling argument for trade barriers, but having a reliable source of domestic supply might mean settling for a smaller and possibly less efficient supply than would be available with free trade.

Infant Industries

P New or emerging industries need time to gain strength and experience before competing against developed industries in other countries.

FT Willing to accept this argument only if protection is eventually removed, allowing the industry to compete on its own

Domestic Jobs

P Tariffs and quotas help protect domestic jobs from cheap foreign labor.

FT Those industries that cannot compete with foreign trade are generally inefficient; protecting them defeats the profit-and-loss system, which rewards the efficient and hard-working while eliminating the inefficient and weak.

Money at Home

P Limiting imports keeps American money in the United States instead of allowing it to go abroad.

FT American dollars that go abroad come back again when foreigners buy American-made products; keeping money home hurts American industries that depend on exports for their jobs.

Balance of Payments

P Restrictions on imports help the balance of payments because when more is spent on imports than on exports, money leaves the country, some jobs are lost, and the dollar is threatened.

FT Interfering with free trade cannot be justified on the grounds of helping the balance of payments: dollars return to the United States to stimulate employment in other industries.

Chapter 17

Obstacles Population growth, limited natural resources and geography, disease and substance abuse, limited education and technology, external debt, capital flight, corruption, war and its aftermath

Funding Economic Development Personal savings, microfinance, international aid and loan programs, and foreign investment

Chapter 18

Note: Students' supporting details will vary; possible responses are given.

1. Global products and markets—stores are stocked with products from other countries
2. Global production—multinationals move their production facilities to be nearer to customers
3. Global institutions—GATT promotes trade between nations
4. Growing economic interdependence—disruption in oil exports from the Persian Gulf would impact industrial output and standards of living all over the world
5. Regional economic integration—European Union or ASEAN

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